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# WEEKLY SUMMARY



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H I G H L I G H T S

On the eve of multilateral talks on the Schuman proposal for pooling coal and steel resources, two of the major problems which will arise have been indicated by initial British and Italian reactions (see page 2). British reluctance to participate in the talks as presently conceived may force the other nations to decide whether to grant the UK a special status, and Italy will insist that the new organization be directed by governmental representatives rather than private interests.

The recent US-UK-French declaration on arms shipments to the Near East is not likely to relieve tension between the Arab states and Israel (see page 7). Both the Israelis and the Arabs will regard with distrust any arms shipments to the other party and will continue to have little faith in each other's peaceful intentions.

In the Far East, interest centered on reports that Chiang Kai-shek is making overtures to obtain asylum in the Philippines, Korea, and Japan when his position on Taiwan becomes untenable (see page 9). The reluctance of these countries to grant such asylum and the freedom of action which Chiang would demand offers the possibility that Chiang will attempt to flee to the US. Meanwhile, as the Chinese Communists continued preparations for their assault on Taiwan, it became apparent that they have sufficient aviation gasoline and other fuels and lubricants to carry out their military plans (see page 10).

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W E S T E R N   E U R O P E

Schuman Proposal    Although it is too early to predict the outcome of the scheduled conference to discuss the French proposal for pooling coal and steel resources, British and Italian reaction point to at least two major problems which will arise. The British strongly disagree with the Franco-German belief that agreement must be reached on the general principles of the Schuman plan before the practical details are discussed, and are therefore reluctant to enter the proposed seven-power negotiations as presently conceived. If the British do not join in the preliminary talks, the other nations must decide whether to accord the British some special status. Italy, on the other hand, will probably accept the general French invitation to join the organization envisaged by the Schuman plan but will make strenuous efforts to have the pool directed by governmental representatives rather than private interests. Because Italy must import large quantities of coal and iron ore, the dual pricing system in Europe (the export price of some goods is higher than the domestic price) has put the Italian steel and mechanical industries at a competitive disadvantage. The Italians believe that if the new organization is government rather than privately controlled, there will be a greater chance of eliminating the dual price system and arranging a price structure and allocation of markets favorable to Italy.

FRANCE

Dollar Problem    In the effort to solve France's continuing and critical dollar problem, some high French officials are considering plans to increase exports to areas to be developed under the US Point IV program. The

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FRANCE

French apparently envisage a substantial expansion of the program and hope to obtain dollars from this source without having to compete in the US market. This approach would be favorably received by industrial and commercial interests who would no longer be under the same compulsion to increase industrial efficiency; on the other hand, it would stimulate greater multilateral world trade. Meanwhile, aside from the consideration being given to the Point IV approach to the dollar problem, the French are making strenuous efforts both to earn dollars without selling directly to the US and to reduce their dollar imports.

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E A S T E R N   E U R O P E

**Spread of Titoism**    The current visit of Yugoslavia's leading theoretician, Mose Pijade, to Western European countries is an indication of the Yugoslav desire to foster the spread of anti-Stalinism in Europe. Pijade's trip appears to be a new phase in the Yugoslav effort to gain adherents which, if successful, could eventually culminate in the formation of an international anti-Stalinist Communist organization.

During his trip, Pijade may attempt to contact prominent Western European Communists, but he will probably concentrate his efforts upon fellow-travelling intellectuals, with whom he has a better chance for success. The Yugoslav cause has attracted increasing numbers of fellow-travellers to Belgrade in the past few months.

Titoism, or at least national Communism, has already made some headway in the Satellites and in Western Europe, especially in Italy and Western Germany. West European Communist leaders are becoming increasingly aware that one of the most important factors responsible for loss of Party influence among the masses is the blind submission of the Party to the Soviet Union. Tito will undoubtedly seek to encourage this feeling in order to promote the creation of national anti-Soviet Communist organizations, and Yugoslavia would probably take the leading role in the international organization which would logically follow.

**Oil Equipment**    Despite existing Western export controls, important quantities of strategic oil production equipment from Western sources are reaching Eastern European oilfields, particularly in the Soviet Zone of Austria and in Rumania. During the past few months, more than

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10,000 tons of pipes and casings have been delivered, and a recent inquiry for 43,000 additional tons was "advertised"  for bids to be submitted on 31 May.

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**CZECHOSLOVAKIA**

**Communist Moves**    The Czechoslovak Communist Party is currently engaged in a three-pronged campaign to eradicate all Western influence and to purify and strengthen all echelons of the Party throughout the country. Czechoslovakia has followed Rumania's lead by demanding that the US Embassy staff be reduced to equal the size of the Czechoslovak Embassy in Washington. The current full-scale espionage trial linking Czechoslovak traitors with Western diplomatic representatives not only provides the justification for the reduction of the US Mission but will further intimidate any Czechoslovaks who might still attempt to maintain contacts with the West. Concurrently, the open denunciation of ex-Foreign Minister Clementis provides the excuse for a thorough reorganization of the Slovakian Communist Party. The Slovaks have put up a more determined resistance to Communist domination than the Czech people and the Slovakian Communist Party has never been strong or able to organize the people behind the Communist program. Although placing the Slovak Party apparatus under greater central control from Prague will not eliminate Slovak opposition to the Communist regime, it will increase the government's capability eventually to force through such Communist control measures as agricultural collectivization.

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**GREECE**

**Foreign Problems**    The Plastiras Government is encountering difficulty coping with strong nationalist sentiment regarding Yugoslavia and Cyprus. Greek hostility toward Yugoslavia has been sharpened by the recent Yugoslav expression of interest in the Greek Macedonian minority. The Yugoslav Government is on the whole displaying a markedly more friendly attitude toward Greece and is apparently taking positive steps leading toward the resumption of railroad and trade ties. Nevertheless, so long as it continues to lend official sanction to provocative statements about the Greek Macedonians and fails to make a substantial gesture on the repatriation of Greek children, any Greek government will find it politically unfeasible to advance far beyond the formal diplomatic exchange to which both countries have already agreed. Because of the strong popular feeling, the Greek Foreign Office now plans to go slow on the development of economic ties with Yugoslavia. Meanwhile, the government's reluctance to come out strongly in favor of uniting Cyprus with Greece has prompted both Communists and extreme rightists to accuse it of indecision. Greek moderates, however, seem to understand that to avoid antagonizing the UK, the government cannot go much beyond its recent "unofficial" reception of the Church-sponsored Cypriot delegation and its reiteration of the hope for a solution "within the framework of Greek-British friendship."

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**Israeli-Arab Tension**      Despite the favorable initial reaction of the Arab states and Israel to the US-UK French declaration on the Near East, tension between the Arab states and Israel will probably persist. The Arab states are assuming that the declaration guarantees them against Soviet aggression and that the three Western Powers intend to reinforce the Arab Security Pact with continued arms shipments. Israel, on the other hand, assumes that the declaration "signifies the end of the discrimination hitherto practiced (against Israel) in the supply of arms and war materials to the countries of the Middle East." If, on the strength of the declaration, the three powers were to ship arms to Israel, the Arab states would react violently; they would have little faith either in the implied pledge to prevent Israeli expansion contained in the tripartite "guarantee" of present frontiers and armistice lines or in an Israeli assurance of non-aggressive intentions. Similarly, Israel has indicated that it will continue to regard arms shipments to the Arabs as potentially dangerous until the Arab states show a greater willingness to negotiate peace.

**IRAN**

**Economic Prospects**      The dispatch of the contemplated US economic survey mission to Iran together with the transfer of Ambassador Grady from Athens to Tehran will give great encouragement to the Shah, the government, and the people generally. Such convincing evidence of US interest in Iran, indicated also by the recently concluded MDAP agreement, will strengthen the will of the government and anti-Soviet elements to resist Soviet pressures. Moreover,

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the successful operation of the mission--which will be responsible for recommending projects for Eximbank financing, observing the expenditure of loans, and recommending self-help measures for Iran--should contribute to internal stability by improving the economic situation and reducing the effectiveness of Tudeh propaganda. On the other hand, the USSR undoubtedly will endeavor to vitiate these efforts by stepping up diplomatic pressure and propaganda, by giving greater support to the Tudeh Party and other subversive elements, and, probably, by renewing border incidents and creating disturbances within Iran. The USSR will very likely stress the charge that Iran is permitting the use of its territory for aggressive activities against the Soviet Union in violation of the 1921 Treaty. The ability of the Iranian Government to resist these pressures and maintain internal order will depend primarily on how rapidly the economy can be improved.

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## F A R E A S T

**Baguio Talks** Although the recently concluded Baguio Conference failed to establish formal machinery for an Asian union, apparently because of Indian intransigence, the seven non-Communist nations announced a common determination to be heard in world councils on matters affecting Asian interests and authorized Carlos Romulo, Conference President, to continue liaison with the represented governments. The Conference further recommended that Asian nations unite in exerting influence on the United Nations. On the economic and cultural plane, the Conference urged Asian nations to: (1) establish fair, stabilized prices for exports; (2) expand regional trade and consider the possibilities for economic specialization; (3) exchange teachers and students; and (4) establish international study centers. By carefully avoiding mention of the cold war and the threat of Communist aggression, the seven non-Communist nations indicated their desire to remain aloof from the East-West struggle.

## CHINA

**Chiang's Plans** Although reports and rumors from the Far East suggest that Chiang Kai-shek has approached authorities in the Philippines, Korea, and Japan regarding the possibility of obtaining a political asylum in the event that Taiwan falls to the Communists, it is possible that the Generalissimo will seek asylum in the US when his position on Taiwan becomes untenable. Chiang is convinced that he can return to power in China in the wake of World War III, which he considers to be inevitable, and he would prefer an asylum in a country where he would be accorded maximum freedom of action. Most of the Nationalist Government leaders will probably spread throughout the world if

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Taiwan falls, but Chiang would probably take a small coterie of his most faithful and useful followers into exile with him. The Philippine Government would be reluctant to welcome Chiang because of its wish to avoid antagonizing the Chinese Communists by becoming associated with remnants of the deposed Nationalist Government. Although the Korean Government might offer asylum to Chiang, Korea is too close to the USSR and Communist China to be regarded as anything more than a most temporary and uncomfortable refuge. Although the Japanese Government might permit Chiang to enter as a political refugee, the Japanese Government would do so only reluctantly, fearing that Chiang's presence might jeopardize the development of trade with China.

**Petroleum Needs**     The Chinese Communists probably have enough high-octane aviation gasoline and other fuels and lubricants to carry out their military campaign against the last Nationalist stronghold on Taiwan. Assuming a peak consumption by the Chinese Communist Air Force of 2,000 tons per month, the present stock of nearly 10,000 tons would sustain air operations for a period of four to five months. Moreover, there are probably more than adequate supplies of diesel and fuel oil for any invasion fleet necessary to attack Taiwan. However, with or without Communist occupation and control over Taiwan, Communist China will still be confronted with the need for importing large quantities of petroleum products if Chinese industry and transport are to be maintained at anywhere near the level of productivity which prevailed under the Nationalist Government. Current annual petroleum products requirements are estimated to be approximately 700,000 tons, and China is now importing at the rate of only 200,000 tons per year. Because of the shortage of foreign exchange and the USSR's

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difficulty in providing and transporting petroleum products sufficient to meet Communist China's needs, the Communists will probably be unable to restore industry and transport to full operation during 1950. Moreover, denial to China of all petroleum products by Western producers would seriously hamper long-range plans of the Chinese Communists for restoring and developing China's economy.

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